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March 23, 1998

97-250

VIA MESSENGER

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

Re: Aliant Communications Co.
<u>Tariffs Implementing Access Charge Reform</u>

Dear Ms. Salas:

Aliant Communications Co. ("Aliant"), by its attorneys, hereby submits its Rebuttals to Comments on Direct Case in the Tariffs Implementing Access Charge Reform proceeding pursuant to the Commission's recent request.[1] This filing is being distributed as follows:

Secretary's Office:	Cover letter Rebuttal to Comments on Direct Case (six copies) Attachment 1 (six copies) Exhibits 5-6 (six copies)
ITS:	Cover letter Rebuttal to Comments on Direct Case Attachment 1 Exhibits 5-6

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[1] *Order Designating Issues for Investigation and Order on Reconsideration*, DA 98-151 (rel. January 28, 1998).

Judy Nitsche:	Cover letter Rebuttal to Comments on Direct Case Attachment 1 Exhibits 5-6
Vienna Jordan:	Cover letter Rebuttal to Comments on Direct Case Attachment 1 Exhibits 5-6
Public Reference Room:	Cover letter (2 copies) Rebuttal to Comments on Direct Case (2 copies) Attachment 1 (2 copies) Exhibits 5-6 (2 copies)

All correspondence or questions in connection with this filing should be addressed to the undersigned.

Respectfully submitted,

Robert A. Mazer
Counsel for Aliant Communications Co.

Enclosures

cc: ITS
Judy Nitsche
Vienna Jordan
Public Reference Room

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of:	)	
Tariffs Implementing Access Charge Reform	)	CC Docket No. 97-250

ALIANT COMMUNICATIONS CO.
REBUTTALS TO COMMENTS ON DIRECT CASE

Aliant Communications Co. ("Aliant"), by its attorneys, hereby submits its rebuttal comments addressing the comments filed by MCI Telecommunications Co. ("MCI") and AT&T Corp. ("AT&T") in the above-captioned proceeding. On February 27, 1997, Aliant filed its Direct Case in response to the Commission's Designation Order.[1]

I. PRIMARY/NON-PRIMARY RESIDENTIAL LINE ISSUES

AT&T believes that the best course of action is for the Commission to eliminate the distinction between primary and non-primary lines.[2] AT&T also argues that the Commission should require the price cap LECs to recalculate their EUCL demand using the "service address" definition of primary and non-primary lines.[3] MCI further contends that the Commission should prescribe a

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1 *Order Designating Issues for Investigation and Order on Reconsideration*, DA 98-151 (rel. January 28, 1998) ("Designation Order").

2 AT&T Comments at 4 (filed March 16, 1998).

3 AT&T Comments at 2.

uniform and verifiable non-primary line definition. MCI argues that the service address approach is reasonable, and the by account approach should be rejected due to the fact that the LECs have not been providing the PICC billing information required by the *Second Reconsideration Order*.[4]

As previously stated in its Comments filed on December 17, 1997,[5] Aliant agrees with AT&T that the Commission should eliminate the distinction between primary and non-primary lines in order to prevent customer confusion, customer gaming and the administrative burden created for the Commission and the LECs. However, should the Commission maintain the distinction between primary and non-primary residential lines, Aliant believes that the Commission should provide a definition on a going forward basis only.

The Commission currently is addressing the issue of primary and non-primary line definitions in CC Docket No. 97-181.[6] Aliant believes that the issue of primary and non-primary line definitions should be handled in that proceeding. Due to the fact that the Primary Lines Rulemaking was not resolved prior to the December 17, 1997 Access Charge Reform Tariff Filing, the Commission allowed LECs to implement one of two definitions, by account or by account, by premise. Aliant chose to implement the latter definition based on account, by premise.[7] Aliant's EUCL demand is based on the definition chosen by Aliant, and allowed by the Commission, and should be considered reasonable until such time as the Commission provides a definition on a going forward basis. The Commission should reject AT&T's arguments.

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4 MCI Comments at 4 (filed March 16, 1998).

5 Aliant Communications Co. Comments at 8 (filed December 17, 1997).

6 *In the Matter of Defining Primary Lines*, CC Docket No. 97-181, *Notice of Proposed Rulemaking*, 12 FCC Rcd 13647 (1997) ("Primary Lines Rulemaking").

7 *See* Aliant, Tariff F.C.C. No. 1, 1st Revised Page 121 and 1st Revised Page 123.

Aliant is in compliance with the Commission's *Second Order on Reconsideration and Memorandum Opinion and Order* in the access charge reform proceeding, and is currently providing all IXCs and line level detail via their media preference.[8] Therefore, contrary to MCI's assertions, Aliant's definition is verifiable and should be considered reasonable. The Commission should reject MCI's arguments, as they are without merit.

II. 9000 MINUTES OF USE ISSUES

AT&T agrees with the Commission's tentative conclusion to isolate the effects of the 9000 minutes of use in the exogenous calculation and eliminate the influence of any other factors[9] by using data identical to that used in the 1993 filing and actual minutes of use. MCI argues that the LECs should include 1993 actual minutes of use data in their calculation of the 9000 minutes of use exogenous change. AT&T claims the price cap LECs must make only downward exogenous changes to the TIC service band and upward exogenous changes to the tandem-switched transport service band. MCI states that a LEC, in the case where the actual minutes of use calculation results in an increase to the TIC, should make no adjustment to the TIC SBI upper limit or the tandem-switched transport SBI upper limit.

As stated in Aliant's Direct Case,[10] Aliant agrees with the use of 1993 data and 1996 actual minutes of use in the calculation of the tandem-switched transport exogenous adjustment. Aliant

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8 Per the Commission's request, Aliant informed the Commission on February 5, 1998, via facsimile, of Aliant's compliance with the *Second Report and Order on Reconsideration and Memorandum Opinion and Order*, CC Docket No. 96-262, 12 FCC Rcd 16606 (1997).

9 AT&T Comments at 25.

10 Aliant Direct Case at 6.

believes this method more accurately calculates the exogenous change needed to reflect the actual minutes of use versus the 9000 minutes of use method. Paragraph 206 of the Access Reform Order[11] directs LECs to use "the actual voice-grade switched access common transport circuit loadings, measured as total actual minutes of use, geographically average on a study-area-wide basis, that the incumbent LEC experiences based on the prior year's annual use." Therefore, Aliant's use of 1996 actual minutes of use in the calculation is correct.[12] The Commission should reject MCI's argument to use 1993 actual minutes of use.

As previously stated, Aliant believes the price cap LECs should be permitted to increase the TIC.[13] However, should the Commission not allow LECs to increase the TIC, <u>no</u> adjustment to the tandem-switched SBI upper limit or the TIC SBI upper limit should be required.

III. COE MAINTENANCE EXPENSE

In footnote 40 of its Comments, AT&T states that it cannot determine if Aliant's calculation of COE maintenance expense removal from the TIC is proper or not.[14] AT&T's assumption that all COE maintenance expense exogenous changes to the TIC are removals is incorrect. As explained

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11 *Access Charge Reform, et al.*, CC Docket No. 96-262, *et al.*, First Report and Order, FCC 97-158 (rel. May 16, 1997); *Errata* (rel. June 4, 1997); *Order on Reconsideration*, 12 FCC Rcd 10119 (rel. July 10, 1997); *Order on Reconsideration*, FCC 97-368 (rel. Oct. 9, 1997).

12 Aliant's 1993 actual minutes of use data is not available.

13 Aliant Direct Case at 6.

14 AT&T Comments at 23.

in Aliant's Direct Case, the Commission's new Part 69 cost allocation for COE maintenance expense shifts Aliant's expenses to the elements recovering switching investment, both local and tandem.[15]

As stated by AT&T, the Commission's intent is to "establish access rates that are more closely aligned to the costs of providing the service."[16] Aliant has done this. Aliant is able to identify the COE maintenance exogenous change associated with its tandem switch using the Part 36 and 69 rules established by the Commission.

When the Commission established the TIC, eighty percent of tandem costs were assigned to it. Therefore, Aliant has assigned eighty percent of the COE maintenance expense exogenous change associated with the tandem, which is positive, to the TIC. The remaining COE exogenous change associated with the Trunking basket, which is negative, is apportioned to the service bands, based on the proportion of revenue in each band to the total basket revenue.

AT&T states that the majority of LECs allocated their COE maintenance expense exogenous change differently than Aliant. According to AT&T, the method used by the majority is reasonable and all LECs should be required to use the same method, presumably the majority's. Aliant believes the majority's methodology is appropriate if a more detailed cost causative approach is not available. Aliant has taken an approach that AT&T embraces in its comments, which is one of cost causation.

If the Commission's intent is indeed to establish access rates that are more closely aligned to the costs of providing the service, then Aliant's methodology in allocating its COE maintenance expense exogenous change is appropriate.

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15 *See* Attachment 1 and Exhibits 5 and 6 in this filing.

16 AT&T Comments at 22–23.

Aliant urges the Commission to reject AT&T's and MCI's assertions. Aliant respectfully requests the Commission to adopt the suggestions contained herein.

Respectfully submitted,

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March 23, 1998

ATTACHMENT 1

Reprinted from : Aliant Communications Co.
: In The Matter of Tariffs Implementing Access Charge Reform
: CC Docket No. 97-250
: Direct Case

Section II. C. 2.

"These dollar effects were measured at 1996 base period level of operations. The revenue requirements were calculated using data from Aliant's 1996 quarterly Part 36 and Part 69 cost studies, modified for changes in FCC regulations. These changes include the allocation of Other Billing & Collection expenses as stipulated on February 3, 1997 by the Commission in its Report and Order in CC Docket no. 80-286. Aliant also reflected the change in the Commission's regulations governing the removal of pay telephone set costs from interstate rates. These studies used an 11.25% rate of return. For discussion purposes, Aliant will refer to these studies as the Access Reform Base Studies ("ARBS").

Aliant calculated the exogenous change for COE maintenance expenses by applying the new allocation rules for such expenses to the ARBS. The reallocation of expenses is demonstrated in Exhibit 5. This Exhibit shows data from Aliant's first quarter interstate Part 69 cost study. Page 1 of Exhibit 5 shows the interstate allocation of Aliant's COE investment. Page 2 of Exhibit 5 shows the allocation of COE maintenance expenses. Line 11 shows the allocation of expenses using total COE investment as required by previous rules. Lines 12 – 15 demonstrate the allocation methodology of the new rules. Lines 16 – 18 of Exhibit 5 shows the difference in expense dollars between the two sets of rules. The relationship among investments and expenses are similar in Aliant's second through fourth quarter cost studies.

Exhibit 6 shows the effect of the new allocation rules for COE maintenance expenses on the total revenue requirement. The changes to Aliant's interstate access charge rates are shown in column (c), (d), (e), and (f). Columns (b), (g), (i), and (j) are displayed to demonstrate the total effect on Aliant's interstate Part 69 cost studies.

As demonstrated in Exhibit 5, Aliant's switching maintenance expenses are significantly higher than its other COE maintenance expenses. The new allocation rules will, therefore, shift more expenses to those rates recovering switching investments and functionality. Since 80% of the tandem switch has been allocated to the Transport Interconnection Charge ("TIC"), Aliant has targeted 80% of the exogenous change associated with the tandem switch to the TIC. The undesignated trunking exogenous change has been distributed to all rates in the trunking basket."

Aliant Communications Co.
1998 Access Charge Direct Case

Exhibit 5
Page 1 of 2

REALLOCATION OF COE MAINTENANCE EXPENSES
1ST QUARTER 1998

	(a)	Interstate (b)	Transport Tandem ('c)	Transport Other (d)	Special Access (h)	Common Line (e)	Traffic Sensitive (f)	IX Non-Price Cap (g)
	INVESTMENT							
1	COE, Cat. 1	450,781					106,867	343,914
2	Allocation of Line 1	1.000000	0.000000	0.000000	0.000000	0.000000	0.237071	0.762929
3	COE, Cat. 2	6,632,837	6,449,081					183,756
4	COE, Cat. 3	19,296,488					19,296,488	
5	Total Switching	25,929,325	6,449,081	0	0	0	19,296,488	183,756
6	Allocation of Line 5	1.000000	0.248718	0.000000	0.000000	0.000000	0.744196	0.007087
7	COE, Cat. 4	19,023,307		10,766,936	4,855,300	2,909,755		491,316
8	Allocation of Line 7	1.000000	0.000000	0.565987	0.255229	0.152957	0.000000	0.025827
9	Total COE	45,403,413	6,449,081	10,766,936	4,855,300	2,909,755	19,403,355	1,018,986
10	Allocation of Line 9	1.000000	0.142040	0.237139	0.106937	0.064087	0.427355	0.022443

Aliant Communications Co.
1996 Access Charge Direct Case

REALLOCATION OF COE MAINTENANCE EXPENSES
1ST QUARTER 1996

			Transport		Special	Common	Traffic	IX
		Interstate	Tandem	Other	Access	Line	Sensitive	Non-Price Cap
	(a)	(b)	('c)	(d)	(h)	(e)	(f)	(g)
	EXPENSES							
11	Total COE Expense Allocated on Line 10	806,416	114,543	191,233	86,235	51,681	344,626	18,098
12	Operator Systems Expense Allocated on Line 2	0						
13	Switching Expense Allocated on Line 6	627,276	156,014				466,816	4,446
14	Transmission Expense Allocated on Line 8	179,140		101,391	45,721	27,401		4,627
15	Total COE Expense Lines 12 + 13 + 14	806,416	156,014	101,391	45,721	27,401	466,816	9,073
16	COE Expense (new rules)	806,416	156,014	101,391	45,721	27,401	466,816	9,073
17	COE Expense (old rules)	806,416	114,543	191,233	86,235	51,681	344,626	18,098
18	Difference	0	41,471	(89,842)	(40,514)	(24,280)	122,190	(9,025)

Allant Communications Co.
1998 Access Charge Direct Case

Exhibit 6
Page 1 of 1

COE Maintenance Expense Exogenous Change
Revenue Requirements
(@ 11.25% Rate of Return)

	Revised Studies (a)	Common Line (Pay Only) (b)	Common Line (BFP Only) (c)	Traffic Sensitive (d)	Trunking (less 80% Tandem) (e)	Trunking (80% Tandem) (f)	Billing $ Collection (g)	Interexchange (i)	Total Interstate (j)
1	1Q96	88,299	3,531,406	1,992,789	2,203,562	489,798	541,921	390,461	9,238,237
2	2Q96	84,934	3,501,671	1,802,418	2,191,356	481,284	493,942	392,063	8,947,638
3	3Q96	110,079	3,472,844	1,776,086	2,077,206	508,941	614,090	400,904	8,960,150
4	4Q96	94,100	3,504,460	1,904,478	2,111,853	460,243	568,262	388,320	9,031,716
5	Total	377,412	14,010,381	7,475,771	8,583,977	1,940,247	2,218,215	1,571,738	36,177,741
	Actual Studies								
6	1Q96	88,299	3,564,097	1,828,270	2,367,910	445,129	541,921	402,611	9,238,237
7	2Q96	84,934	3,523,671	1,694,304	2,291,726	458,141	493,942	400,920	8,947,638
8	3Q96	110,079	3,492,846	1,681,647	2,219,475	433,470	614,090	408,543	8,960,150
9	4Q96	94,100	3,539,264	1,750,987	2,262,708	419,218	568,262	397,177	9,031,716
10	Total	377,412	14,119,876	6,955,208	9,141,819	1,755,958	2,218,215	1,609,251	36,177,741
	Change								
11	1Q96	0	(32,691)	164,519	(164,348)	44,670	0	(12,150)	(0)
12	2Q96	0	(22,000)	108,114	(100,370)	23,123	0	(8,867)	(0)
13	3Q96	0	(20,002)	94,439	(142,268)	75,470	0	(7,639)	(0)
14	4Q96	0	(34,804)	153,491	(150,856)	41,026	0	(8,857)	(0)
15	Total	0	(109,497)	520,563	(557,843)	184,290	0	(37,513)	(0)

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Rebuttals to Comments on Direct Case of Aliant Communications Co. was sent by first-class mail, postage prepaid, this 23rd day of March, 1998, to each of the following:

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